



**NASFAM Strengthening Project
(NSP)
Malawi**

Quarterly Report
October 1 to December 31, 2001
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NASFAM Strengthening Project

List of Acronyms

ACDI/VOCA	Agricultural Cooperative Development International/Volunteers in Overseas Cooperative Assistance
ADA	Agribusiness Development Advisor
ADC	Agribusiness Development Center
ADCC	Agribusiness Development Center Coordinator
ADMARC	Agricultural Development and Marketing Corporation
AFM	Association Field Manager
AFO	Association Field Officer
AFSU	Audit and Financial Systems Unit
AGM	Annual General Meeting
BASFA	Balaka Smallholder Farmers' Association
BDU	Business Development Unit
BOD	Board of Directors
BOT	Board of Trustees
CPMM	Crop Production and Marketing Manager
DANIDA	Danish International Development Agency
DEO	Data Entry Officer
EPA	Extension Planning Area
FCL	Full Container Load
GAC	Group Action Committee
GM	General Manager
HRD	Human Resource Development
IB	Intermediate Buyer
ISU	Information Services Unit
LMA	Land-use Management Advisor
MAC	Marketing Center
MAFE	Malawi Agro-Forestry Extension [Project]
MAI	Ministry of Agriculture and Irrigation
MDU	Marketing Development Unit
MIS	Management Information System
MK	Malawi Kwacha
MRFC	Malawi Rural Finance Company
MSB	Malawi Savings Bank
MUSCCO	Malawi Union of Savings and Credit Cooperatives
NASCENT	NASFAM Center for Development
NASCOMEX	NASFAM Commodity Marketing Exchange
NASDEC	NASFAM Development Corporation
NASFAM	National Smallholder Farmers' Association of Malawi
NBM	National Bank of Malawi
NORAD	Norwegian Aid
PAC	Policy, Advocacy and Communication
PROSCARP	Promotion of Soil Conservation and Rural Production
QGM	Quarterly General Meeting
RC	Regional Coordinator
SADP	Smallholder Agribusiness Development Project
SDU	Skills Development Unit
TSA	Technical Services Advisor
TS	Technical Specialist

Project Background – NSP Now in its Second Year

This quarterly report covers the first quarter of the 2001/2002 program year of the NASFAM Strengthening Project (NSP) that runs from October 1, 2000 to October 31, 2002 (25 months). NSP is the third phase of a seven-year program to promote rural agricultural development and food security through farmer-owned agri-business marketing associations.

The first two phases under the Smallholder Agribusiness Development Project (SADP I & II), were managed by ACDI/VOCA under a USAID Cooperative Agreement from July 1995 to September 2000. SADP played a key role in the initial development of smallholder agribusinesses which: 1) improve smallholder returns on agricultural sales and better terms on inputs; 2) encourage greater smallholder self-sufficiency through access to information and improved business know-how; and 3) promote collective action through commercially sound and farmer-owned business associations.

In its first year of operation (1995/96), SADP transferred to targeted smallholder clubs the technical know-how to manage independent and efficient marketing operations based on sound business principles, and worked with service providers to improve services to smallholder clubs. As farmer needs became more apparent in 1996/97, SADP supported smallholder groups to take collective action to solve problems, and facilitated the development of structured EPA-level associations to acquire economy of size and collective power of voice. These smallholder farmer-owned associations now provide needed services on a commercial basis through which smallholder members realize increasing returns, reduction of costs, and solutions to their farm business problems. These associations have already started to develop the capacity to take over the provision of technical services to farmer clubs currently being made available through SADP's technical field program.

Smallholder farmer groups operate in a highly complex environment that has been in a process of continual change for the past 6-8 years. This element has brought to smallholders both opportunity, in the form of greater competition and improved access to cash earnings from specialized crops, and hardship from greater uncertainty related to market failure in the rural credit, input supply and transport sectors. Within this environment, during 1997/98, twelve smallholder farmer associations working with the project chose to respond to their changing environment by forming a national farmer organization that provides the marketing, business, training and management services to member associations. Association Representatives resolved to form and register the National Smallholder Farmers' Association of Malawi (NASFAM) that was incorporated under the Trustees Incorporation Act in February 1998.

SADP II (October 1, 1998 to September 30, 2000), officially recognized NASFAM as the agency for sustainable rural development to which its smallholder farmer membership subscribes. NASFAM took over the functions (including staff and budget) formerly held by SADP and took the initiative into new diversified crop marketing programs and geographic expansion. New crops and new operational zones included the northern region for Arabica coffee, Lilongwe for mixed crops, Balaka for cotton, Mulanje for chillies, and all current associations for diversified crop marketing and expansion into new business opportunities.

In October 2000, NSP inherited a network of 31 associations with 67,000 members. Although the member network is financially viable and sustainable, management capacity needs considerable attention. Expansion of crop marketing in terms of volume and diversification is also a key component of the NSP program. NASFAM's strategy for sustainability is further strengthened with the long-term commitment by other supporting donors including DANIDA, NORAD, and EU-PROSCARP who are assisting with infrastructure, training, market expansion and material support.

In October 2001 NASFAM started the process to develop a Strategic Development Plan, incorporating SDPs from all 34 member Associations. This report will cover the numerous initiatives resulting from these efforts.

1.0 Highlights: First Quarter 2001/02– October to December 2001

- 1.1 The NASFAM Strategic Development Plan was approved by the Board of Trustees and the General Assembly at the 5th Annual General Meeting on December 5th and 6th, 2001. The General Assembly also approved resolutions that paved the way for the formation and registration of NASDEC, NASCENT and NASCOMEX.
- 1.2 This quarter is the off-season for crop marketing but the bulk fertilizer procurement program hit full stride in October and November. About 3,500 metric tonnes of fertilizer was procured through the Associations valued at K77.35 million (\$1.2 million). Associations earned almost K 1.2 million (\$18,734) in commissions. Savings to members off normal local retail price was over K6.2 million (\$96,600).
- 1.3 Over 30 member Associations used this time period to hold Annual General Meetings. All members held AGMs where 2001 audited financial accounts were presented to farmers. Also discussed and approved were 2001/2002 Business Plans and Budgets.
- 1.4 The NASFAM and Association field staff has initiated 790 training and business meetings involving 27,277 farmer participants. Women attending these sessions represent 30% of the participants.
- 1.5 As of December 31, 2001, there are 32 Associations and pre-associations (those still in the formation stage) with over 96,000 members, and the total number of EPAs covered by NASFAM is now 61. Membership grew by 3% (from 93,542) over the last three months due to continued growth within existing associations.



**AFO conducting marketing training in Kasungu.
Over 790 such training sessions took place this quarter**

2.0 NASDEC – New Structure and Technical Services

2.1 **Restructure.** The main activity during this quarter was the development, review and the approval by the NASFAM Board of Trustees and General Assembly of the NASFAM Annual General Meeting (December 5 and 6, 2001) of the NASFAM Strategic Development Plan (SDP). Some of the major initiatives covered in the plan are:

2.1.1 **Restructure of the NASFAM legal structure.** The AGM approved the formation and registration of:

- **NASFAM Development Corporation (NASDEC);** a non-profit holding company limited by guarantee and home to NASFAM Technical Services (see text below).
- **NASFAM Development Center (NASCENT);** non-profit company limited by guarantee; home to non-commercial programs including policy, project design, management information and training (refer to chapter 3).
- **NASFAM Commodity and marketing Exchange (NASCOMEX);** a for-profit company limited by guarantee; a base for all commercial services including crop marketing, input sales, and transport management.

2.1.2 **ADCs Close Down and Associations Organized.** The absorption of the former SADP-era Agribusiness Development Center (ADC) structure into the independent NSP-era Association Management Center (AMC) structure. All 34 Associations formed either: 1. Single association management centers for the larger Associations; or 2. Group association centers for the smaller Associations:

- Single Association Management Centers include:
 - Karonga pre-association (rice)
 - Mchinji Association (groundnuts)
 - Balaka Association (cotton)
 - Balaka Chilli pre-association (Birdseye Chilli)
 - Zikometso Association (Birdseye Chilli)
 - Lilongwe South pre-Association (Mixed)
- Group Association Management Centers for mixed crop marketing include:
 - Rumphi Group of Associations
 - South Mzimba Union of Associations
 - Kasungu Group of Associations
 - Lilongwe North Group of Associations
 - Ntcheu Group of Associations
 - Zomba Group of Associations
 - Namwera Group of Associations

2.1.3 **ADC Funding Ceases.** ADC budgets were reassigned to Association Management Centers on a cost-reimbursement basis. ADC bank accounts have been closed.



Association offices such as this one in Lisasadzi have replaced the ADC office used under the SADP Project

- 2.1.4 **All JAMs become Companies.** All Associations re-registered under the company's act and all former Joint Association Management (JAM) groups to be registered as Group companies. This will be done by June 2002.
- 2.1.5 **Small Associations Merged.** Small independent associations such as Nsipe, Kandeu, North Vipha, Nyambi and LESA were all merged into Group companies as Associations or chapters to improve viability and efficiency.
- 2.1.6 **Regional Offices Formed.** Three Regional Offices were formed in Mzuzu (Northern Region), Lilongwe (Central Region) and Zomba (Southern Region). All three regional teams to be made up of the following staff:
- Regional Coordinator
 - Audit and Financial Systems Officer
 - Management Systems Advisor
 - NASCOMEX Representative
- 2.1.7 **New Association Management.** Former ADC staff were merged into the Association management structure. Six of the Technical Service Advisors (TSAs) became Crop Production and Marketing Managers (CPMM). Seven more TSAs (now referred to as Technical Specialists – TS) are eligible to apply for CPMM jobs at the end of the current season. Two TSAs became Business Advisors and four became Association Managers. Six ADC Coordinators became Association General Managers and two became Regional Coordinators. Some TSs will be transferred to expansion areas in October 2002.
- 2.1.8 **NASFAM –Association Provision of Services Agreements.** NASFAM has contractual agreements with all thirteen management centers (all soon to become companies). These Memorandums of Understanding (MOU) cover all budget support mechanisms, management and staff agreements, custody of inventory and equipment, and time schedules.

- 2.1.9 **Association Strategic Plans.** NASFAM staff met with the leaders of all thirteen Association Boards and Committees to deliberate and prepare three-five-year strategic plans. Plans for the current year were highlighted and performance targets identified. These targets will be used to measure management performance during the current year. The plans also mandate the associations to be responsible for growth and sustainability following planned investments and new initiatives.

2.2 Technical Services

Background. Technical Services – formerly Field Operations - is currently placed in NASDEC under the supervision of the Chief Operations Officer (COO) Tamanda Chidzanja. It encompasses all regional and field staff under contract with NASFAM who are responsible for the efficient running of all associations' operations; either directly as contracted Managers; or indirectly as auditors, and management advisors. The various components of Technical Services are:

Technical

- Three Regional Offices with Coordinators
- Management Systems Advisors
- Audit and Financial Service Officers
- Thirteen Association Management Centers (Companies)
- On-site Business Advisors
- Contracted Association General Managers and Managers
- Contracted Association Crop Production and Marketing Managers

Program

- Rural Self Help Program (Road improvement, bridge repair)
- Association Equipment Revolving Fund (Computers/Motorcycles)
- Association Warehouse/Office Construction Program

- 2.2.1 **Regional Office.** Three Regional Offices were formed in Mzuzu (Northern Region), Lilongwe (Central Region) and Zomba (Southern Region).

Mzuzu Office. This office is currently being set up and the staff, currently based in Rumphi, will move sometime early 2002. Equipment and furniture are ready, and a vehicle has been assigned.

Lilongwe Office. No Coordinator has been identified but Michael Kainga has been recruited as the Head of the Audit and Financial Systems Unit (AFSU). Mussa Id, a UN volunteer, will work in the Central Region as the Management Systems Advisor until his tour ends in October 2003. The Central Region Office is located in the NASFAM Head Office, Lilongwe.

Zomba Office. This was the first regional office to open under the management of Mathews Kali-Zulu. Godfrey Kaipa has been assigned to the Southern Region as the AFSU auditor and S. Mbalafana has been assigned as the NASCOMEX Representative. The office has furniture, equipment, vehicle, driver, guards and receptionist.

- 2.2.2 **Audit and Financial Systems Unit (AFSU).** Now that Michael Kainga is heading AFSU, Shay O'byrne, the APSO volunteer will act as AFSU advisor and will work with Michael until the end of his tour in September 2002. AFSU decided to "regionalize" the AFSU team and M. Kachipenda was assigned to the Mzuzu office and Godfrey Kaipa was assigned to the Zomba office. Michael will also carry out all audit functions for the Central Region.

The main function of the AFSU team this quarter was the successful completion of their annual audits and compilation of the annual reports of all associations for their Annual General Meetings that take place throughout this quarter



The AFSU auditor for the Central Region checks books with the bookkeeper for Mchinji Association

- 2.2.3 **Management Systems Advisory Unit.** This unit has yet to be formed and it is anticipated that NORAD will support this effort under the new re-design expected in July 2002. The concept is simple: Three professional management advisors posted at each regional office will work with Association management to improve efficiency, prepare investment proposals, monitor performance, help leaders and managers plan and budget, and train staff on the spot. Musaa Id, a UN volunteer has been posted to central region but the head of the Unit, who will work with Mussa, has still to be identified and recruited.

- 2.2.4 **Thirteen Association Management Centers (Companies).**

Registration Process. All associations and former JAMs are to be registered (or re-registered) under the Companies Act as for-profit companies limited by guarantee. This process will start next year to be completed before June 2002.

Contracted Management. Ten of the thirteen Association Centers are managed by staff contracted to NASFAM as Association Managers or General Managers (depending on Association size and staff member experience). Most Associations will eventually pay for the full cost of contracted management by 2003 (invoiced monthly by HO). For the time being a payment support

program is in place that is covered by the Provision of Support Contract. All Managers and Crop Production and Marketing Managers (the number one and two positions at the Association) are University graduates and experienced NASFAM staff. They enjoy a full contract with NASFAM and can be transferred and promoted by NASFAM management.

Three Associations have locally recruited management and are being monitored for performance by Business Advisors assigned to the AMC by Technical Services. Should they not perform well, the Associations will be advised to accept NASFAM contracted Managers.

Association Staff Roster. A typical Group of Associations Company (i.e. Kasungu Area Farmers Association Ltd. – proposed) will have a management and staff team composed of:

Group General Manager (under NASFAM contract)
 Crop Production and Marketing Manager (under NASFAM contract)
 Association Field Officers (hired and paid by each Association or Chapter)
 Bookkeepers (1 or 2 depending on the size of the operation)
 Data Entry Officer (DEO – paid by NASFAM until 10/2002)

2.2.5 NASFAM Association and Group Association Management Centers

Northern Region

Association Management Center	Associations	EPAs
Karonga Rice Growers Association	One	2 EPAs
Rumphi Group of Associations	Five	5 EPAs
S. Mzimba Union of Associations	Four	4 EPAs

Central Region

Association Management Center	Associations	EPAs
Kasungu Group of Associations	Four	4 EPAs
MASFA	One	6 EPAs
Lilongwe North Group of Associations	Three	3 EPAs
Lilongwe South Association	One	5 EPAs

Southern Region

Association Management Center	Associations	EPAs
Nicheu Group of Associations	Two	2 EPAs
BASFA	One	5 EPAs
Balaka Chillies Pre-Association	One	4 EPAs
Zomba Group of Associations	Four	4 EPAs
Namwera Group of Associations	Four	4 EPAs
ZISFA	One	8 EPAs

2.2.6 Field Training and Education: The HRD and MIS Units in NASCENT

monitor the primary club training program that is conducted by Association field staff. These training sessions are followed by regular club, market center and Association meetings held to plan for and provide commercial services. For the first quarter of this year, (October 1 through to December 31, 2001), the field staff had initiated 790 training and business meetings involving 27,277 participants. Women attending these sessions represent 32% of the participants.

<i>Meeting Type</i>	<i>Meetings Held</i>		<i>Participants</i>
Association Committee Meetings		70	877
GAC training and business meetings	438		16,718
Club training and business meetings	274		8,828
Other (Field Days)		8	854
	Total	790	27,277



Farmer members of BASFA hold a club meeting in Balaka to discuss cotton marketing

2.2.7 Association Expansion and Membership Status. NASFAM has expanded into new crops and EPAs to work with coffee, cotton, groundnuts and mixed crop marketing operations. There are now 32 Associations and pre-associations (those still in the formation stage) with over 96,000 members, and the total number of EPAs covered by NASFAM is now 61. Membership grew by 3% (from 93,542) over the last three months due to continued growth within existing associations.

NASFAM Growth by Quarters

Levels	(Oct 1, 01)	QTR 1	QTR 2	QTR 3	QTR 4
Farmers	93,542	96,181			
Clubs	5,162	5135			
GACs	453	436			
Associations	34	32			

2.2.8 Association Warehouse and Office Construction Program. NASFAM is

managing three different grants for the construction of market centers, offices and warehouses.



This beautiful location is the site for the new Zikometso warehouse which will be used for the grading and export of chili peppers

- ❑ **Market Centers:** Sponsored through EU-PROSCARP, the program started with the construction of eleven market centers in Mulanje that were completed in 2000. The program moved to Balaka where seven cotton market centers were completed in 2001. The program is now in Rumphi constructing three market centers for Kasitu Association and three centers for North Viphya (with one doubling as an association office). The program is scheduled for completion in June 2002
- ❑ **Association Office/shop.** Sponsored through DANIDA, NASFAM has long-term plans to construct an office-shop-warehouse combination at each Association location. To date, nine of these structures have been completed in Ntcheu, Namwera, and Kasungu, and the construction team is now in Rumphi constructing five more. Each structure is comprised of an office, conference room, farm supply shop, and warehouse that can double as a training venue in the off-season.



Mchinji Association has just completed the construction of a warehouse for the grading and export of groundnuts

- **Warehouse Construction:** Sponsored through NORAD, these large warehouses are planned for each Group Association location and Lilongwe. Progress to date:
 - **Mchinji** – Construction completed and ready for the 2002 season
 - **Lilongwe** – The site has been selected for this HO facility.
 - **Mulanje** – Site selected and architectural designs prepared; construction scheduled for April 2002
 - **Karonga** – Site selection ongoing; construction scheduled for July 2002

2.2.9 **Rural Self Help.** This program is sponsored through NORAD and is focused mainly on bridge repair and road improvement although other community projects can be proposed. The program kicks off next quarter.

2.2.10 **Association Equipment/Motorcycle Program.** Through NORAD assistance, NASFAM has procured and sold 21 new motorcycles to Association field staff, making them capable of taking over duties performed by their TSA colleagues. Associations had to approve the purchase at their general meetings, apply to NASFAM indicating their payment schedules, and sign a purchase agreement. This program makes it possible to transfer TSs to other program areas, knowing that their AFO counterparts are now mobile and able to carry out their duties.

3.0 NASCENT - National Programs and Services

The NASFAM Center for Development (NASCENT) has three Units: Human Resource Development (HRD – formerly the Skills Development Unit); Policy and Programs Units (PPU-formerly the Policy, Advocacy and Communications Unit); and Management Information Systems Unit (MIS – formerly Information Services Unit). While most of their programs directly benefit NASFAM farmers and Associations, many of their services also benefit most Malawian smallholder farmers. It is our intention that these non-affiliated farmer groups will become familiar with NASFAM concepts and benefits, creating eventual demand for further expansion.

3.1 Human Resource Development Unit. The main focus of the Unit this year is management improvement at several levels. HRD intends to strengthen and manualize all field management-training programs, and to improve on Association capacity building. The chart below indicates all HRD training since the start of the year.

Skills Development Unit Training Programs

October – December 2001

INTERNAL TRAINING WORKSHOPS (NORAD Funded)

#	TRAINING WORKSHOP TITLE	TARGET GROUP	LOCATION	DATES	TOTAL TRAINED	M	F	REMARKS
1.	COMMITTEE STRENGTHENING TRAINING	NEW COMM. . MEMBERS	ZOMBA	OCT.	0	0	0	NO NEW MEMBERS
			NAMWERA	OCT	0	0	0	NO NEW MEMBERS
			LILONGWE	NOV. 19-23	40	30	10	
			BALAKA	NOV. 26-28	23	19	4	
			KASUNGU	DEC. 11-13	40	38	2	
			SOUTH MZIMBA	DEC.	35	27	8	
			MCHINJI	DEC.	0	0	0	NO DATES SET YET
			RUMPHI/MZUZU	DEC.	32	26	6	
2.	GENDER AWARENESS TRAINING	GENDER SUB-COMMITTEES	MZUZU	NOV. 28	31	12	19	
			KASUNGU	NOV. 14	20	7	13	CHIWAMBA & CHIGOTHI ABSENT
			ZOMBA	DEC .12	45	21	24	
TOTALS					266	180	86	
PERCENTAGES					100%	68%	32%	

INTERNAL TRAINING WORKSHOPS (NORAD Funded)

#	NAME OF PARTICIPANT	WORKSHOP TITLE	VENUE	DATES	T	M	F
1	PETER NJIKHO	STRATEGIC PLANNING	MIM-LILONGWE	OCT.	1	1	0
2	SPENCER TSITSI	STRATEGIC PLANNING	MIM-LILONGWE	OCT	1	1	0
3	TIBONGE CHITHITI	FLEET MANAGEMENT	ESAMI-ARUSHA	OCT	1	1	0
4	MCLUWENI KACHIPANDE	INTERNAL AUDITING	ESAMI-MBABANE	DEC	1	1	0
TOTAL					4	4	0



Over 500 farmer leaders attended Committee Strengthening Courses this quarter

3.2 Policy and Programs Unit. This Unit's responsibilities have been expanded to include the management of all the donor grants that include reporting, monitoring and grant proposal preparation.

- 3.2.1 The *Titukulane* newsletter** for this quarter has been published in English, Chichewa and Chitumbuka (6,000 total for each publication run). The newsletter is published on a quarterly basis and is distributed to clubs of member Associations.
- 3.2.2 Bulletins.** The new **crop bulletin** - a single page, two-sided, mini-newsletter has proved to be very successful and will continue this year. It is prepared quickly and distributed in a timely manner to farmers producing and marketing specific crops including coffee, chilli, groundnuts and cotton. Its main purpose is to provide timely production information and market news to farmers.
- 3.2.3 NASFAM Radio Programs.** NASFAM works closely with the Agriculture Communications Branch of MAI for the production and broadcasting of educational and informational radio shows. Various shows were produced this quarter covering various topics resulting from the NASFAM Annual General Meeting and other programs.

3.3 Management Information Systems Unit A key project activity is to establish linkages with data sources through e-mail, www, publications and inter-agency data systems, and to have ready access to information in demand. Systems are in place to

assure two-way flow of information between field and NASFAM, and with time and further education, the system will become truly effective. A comprehensive data storage-retrieval and reporting system is being established and will greatly expand NASFAM capabilities in management and marketing systems. Some progress to date includes:

- Recruitment and training of Data Entry Officers (DEO) at all 13 Association Management Centers; DEOs entering club data.
- Computers updated and installed at all 13 management centers
- New data base program designed and installed at all management center locations.



Bookkeepers receive special training by the NASFAM HRD Unit

4.0 NASCOMEX – Marketing Operations

Most crop marketing was completed last quarter. A summary of the past season will be presented along with new developments for the coming season.

4.1 Export Marketing of Malawi Birdseye Chillies

Background. Now entering its fifth year of operation, the Zikometso Association has three marketing zones covering nine EPAs - each zone has its own committee and general assembly. About 260 clubs and 50 marketing centers (MACs) create the backbone of the market structure. It is estimated that the 5,000 farmer members produce more than 100 mt of chilli in the area of operation of the Association. The Association now operates through its own Board of Directors and has its own independent management structure.

The Association is now under a new manager and the staff have high expectations to achieve two major objectives this coming season: increase volumes and decrease operational costs.



Graders clean and grade Birdseye chilli for the export market in Mulanje

2000/2001 Season. Unpredictable rains are blamed for a poor harvest this season as volumes declined to 36.8 mt. Exports were likewise affected and only five containers totaling 35 mt were shipped. European prices remained stable but the appreciation of the kwacha by 22% (from K80 to a US dollar in February to K62 to a US dollar in October) resulted in a significant reduction in local currency revenues.

Market Breakdown

Total Purchases	36.8 mt	K 2,452,275
Sales	36.6 mt	K 5,769,000
Gross Returns		K 3,316,725
Other costs/expenditures		K 2,774,568
Net Surplus		K 542,157

2002 Outlook

- ❑ Seed distribution was completed this quarter and the new crop looks very good. Volume is estimated to reach 80 metric tonnes.
- ❑ New management promotes staff moral and improves efficiency.
- ❑ NASCOMEX has started forward contracts with Europe. Market appears very strong.
- ❑ ZISFA sold Grade-A seed to the new Balaka Chilli Program which has progressed very well under the management of S. Chapa – a transfer from the coffee program. An estimated 20-30 mt is expected from this new expansion area.

4.2 Cotton Production and Marketing

Background. The Balaka Area Smallholder Farmers' Association (BASFA) was formed in 2000 with a club and farmer membership today of 200 and 3700 respectively. The first two seasons focused on direct delivery programs with farmers achieving “ginners gate” prices that were 20% higher than farmgate prices.

2000/2001 Season. This past season was very dynamic with BASFA purchasing seed-cotton for the first time and selling it to three different ginning companies – Dunavant in Zambia, Great Lakes in Balaka and ADMARC in Salima. Malawi cotton farmers, after selling at “bush markets” and to traders for years, now had an opportunity to choose their buyers and to have some control over the price.

The Dunavant contract in Zambia was lucrative in the initial stages – with a delivered price of \$.32/kg; compared to the Malawi ginner price of K12/kg or \$.15/kg - but lost value with the 40% appreciation of the kwacha. The program was also hampered by cross-boarder nuisances, high transport costs, and a slow turnover rate.

NASFAM then turned to the two indigenous ginning companies ADMARC and Great Lakes Ltd for sales contracts that combined free market center collection, and a K17/kg price – K2/kg higher than the going rate of K15/kg. Despite the kwacha appreciation, pink bollworm, and some field weight losses due to insufficient stock storage facilities and poor field supervision, BASFA still sold their seed-cotton for

over K9.4 million (\$139,000) – 47% higher than last season– and ended the year with a small surplus of K263,000.

End of Season Results 2000/2001

Total Sales	K 9,434,382
<u>Less purchase Costs</u>	<u>K 8,100,430</u>
Gross Returns	K 1,333,952
<u>Other Revenues</u>	<u>K 732,487</u>
<u>Total Revenue</u>	<u>K 2,066,439</u>
Operating Costs	K 1,802,965
Net Surplus	K 263,434

2002 Outlook

- With problems remaining with pink bollworm, polypropylene contamination, and unpredictable currency fluctuations, it appears doubtful that NASFAM will seek out export contracts.
- With new management, BASFA will improve field supervision and procurement systems
- NASCOMEX will encourage greater competition between the two local ginnery companies to improve prices, services and production extension.

4.3 Groundnut Marketing

Background. NASFAM moved into the Mchinji area (main target was Chiosya EPA) in March 2000 and the staff were able to form 206 clubs with 4,024 farmer-members around 9 market centers in time for the market season. Over 183 metric tonnes was marketed and sold by September 2000. The season ended with a net surplus of K 794,000 which allowed a second “bonus” payment of K660,000 to be paid to members – averaging K3.6/kg. This bonus created considerable confidence in the Association style of marketing and membership grew by 98% as three more EPAs were added to the operation and membership expanded to 7,986 farmers and 412 clubs. The Mchinji Area Smallholder Farmers’ Association (MASFA) was formed in July 2001 and became a NASFAM member this quarter at the NASFAM AGM in December 2001.

2001 Season. The target of 500 metric tonnes was not achieved but this was no fault of the MASFA farmers or their hardworking staff. Sale turnover was slower than expected and MASFA had to compete with cotton, paprika and chillies for limited crop finance resources. Over 425 metric tonnes (85% of target) of groundnuts were purchased and sold for a gross sale of K14.6 million.

Groundnut Marketing 2000/2001

Total Sales		K14,594,046
<u>Total Purchases</u>	<u>427,031 kg</u>	<u>K12,810,930</u>
Gross revenues		K 1,783,116
<u>Operational Costs</u>		<u>K 1,120,391</u>

Net Profit**K 662,725****2002 Outlook**

- ❑ MASFA has just completed the construction of a large warehouse capable of storing 1000 mt of groundnuts.
- ❑ It also has capacity for the installation of grading equipment scheduled for next year. This will allow MASFA to grade and export groundnuts for the first time and seek better markets in RSA.
- ❑ Preliminary discussions with prospective buyers indicate that crop financial problems may be resolved – allowing for faster and more efficient procurement. Volumes may exceed 800-1000 mt.
- ❑ MASFA has one of the strongest management and membership foundations in NASFAM – it is also the largest with over 14,000 members. Despite a soft international market, 2002 looks to be a very promising market year.
- ❑ A key strategy will be to link up the groundnut producing areas of Kasungu and Lilongwe South. Crop finance will be provided if these Associations are able to put together a viable plan of operation.

4.4 Rice Marketing - Karonga

Background. Following a year of research, consultancies, and two field surveys, the Karonga pre-association was opened in June 2001 with the transfer of two TSAs and the placement of John Deane, a VSO volunteer as acting Manager. Institutional development for clubs, and marketing centers started with farmer awareness meetings taking place every day. Rice marketing started in July and the team exceeded their initial objective of 100 metric tonnes of paddy within weeks of procurement start-up. By August 120,617 tonnes of paddy were procured and milled, and by September, 30 mt of the eventual 64,000 mt of long-grain polished rice and 9,550 kg of broken rice were delivered to the care of NASCOMEX Marketing Operations Department for bulk and packaged sale.

The balance of the milled rice has been delivered to Lilongwe this quarter and despite the fact that Lilongwe landed costs are higher than expected, the breakeven rate allowed some price flexibility and the marketing staff have experimented successfully with price/demand options. Potential wholesale prospects for Zimbabwe have fallen through due to their economic problems but food shortages at home have raised the demand for rice within Malawi. Marketing staff are already planning for packaging and retail sale operations for early next year.

2001 Season – Kilombero Rice

Crop	Purchases to Date	Purchase Value	Sale Value (est)	Sales to date
Kilombero Rice	120,617-paddy	K1,929,872	K3,200,000	K278,000

	64,000 - Clean			
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2002 Outlook

- ❑ Karonga pre-association has a strong management team with experienced TS and AFOs. The arrival of Jemi Numeri as the new General Manager will also add strength to the team.
- ❑ Karonga intends to procure its own rice milling equipment from Tanzania and build a new mill for storage and milling.
- ❑ The team estimates that purchases could exceed 500 mt with a milled output of 300 mt.
- ❑ NASCOMEX staff have plans to experiment with packaging for the local retail trade. If successful, bagging equipment will be purchased and sent to Karonga for this value added activity.

4.5 Paprika – South Mzimba

Background. A market study was conducted in May 2001 to appraise the merits of a pilot paprika market program for the four Associations of South Mzimba. The market system employed for paprika requires more structured and discipline with the inclusion of Market Centers, trained market committees, crop finance, documentation and local warehouse facilities. In June 2001 NASFAM signed a contract with Cheetah Malawi Ltd. to buy and sell all paprika in the South Mzimba area.

The season ended with 27,447 kg of paprika sold to Cheetah valued at K1,803,072. Farmers averaged about K54/kg. South Mzimba farmers also marketed about 35.5 metric tonnes of high quality soybeans through the Association Union with a buy/sell margin of K3/kg. Total sales for soyabeans exceeded K548,107

2001 Season – South Mzimba Soya and Paprika

<i>Crop</i>	Total Kg Sold	Purchase Value	Sale Value	Sales to date
Paprika	27,447	K1,493,418	K 1,803,072	K1,803,072
Soya Bean	35,551	K 462,163	K 548,107	K 548,107

2002 Outlook

- ❑ South Mzimba will expand its paprika marketing program for 2002 by increasing volumes and improving management.
- ❑ Paprika will also be the main secondary crop for the four Rumphi Associations and the four Kasungu Associations. Kasungu and Rumphi will have new office/warehouse structures at each Association site and will be in excellent shape to introduce this new activity this coming year.

- North Vipha Association, at a disadvantage with its emphasis on coffee, will now re-launch itself as the main paprika buyer in Mphompha EPA under contract with Cheetah. New market depots are being constructed with assistance from EU-PROSCARP.



Paprika is a new crop in Malawi with great potential

4.6 Soya Marketing

Soya is fast becoming NASFAM's major secondary crop with paprika a distant second. During the 2001 season, four Associations marketed a total of 61.8 metric tonnes worth K939,934. It is anticipated that soya marketing will double in volume next season.

Soya Marketing –2001 Season

Association	Kilograms	Sales Value	US \$
South Mzimba	35,551	K 548,107	\$7,830
Kasungu	7,220	K108,300	\$1,547
Lilongwe	15,000	K 225,000	\$3,214
MASFA	4,033	K 58,527	\$ 836
Total	61,804	K 939,934	\$13,427

4.7 Market Expansion

NASFAM is planning only modest expansion programs for the 2002 crop-marketing season:

- ❑ Paprika: As mentioned earlier, Rumphi and Kasungu will join South Mzimba this coming season in formal paprika marketing probably under contract with Cheetah Ltd.
- ❑ Groundnuts: Kasungu and Lilongwe South Associations are also expanding into groundnut marketing with possible linkages to MASFA if required.
- ❑ NASFAM will study the geographic expansion into the Salima and Nkhotakota areas for the marketing of rice, cotton, groundnuts, soya, and chilli.
- ❑ The Liwonde National Park wants to collaborate with the new Balaka Chilli Program for the production of Birdseye chilli along its border fence. The objective is to provide income generation for border farmers (to prevent encroachment and poaching) and to discourage park wildlife, particularly elephants, from breaching the new fence in search of farm produce.
- ❑ Zomba and Lower Shire: A study will be carried out to determine the potential of assisting rice farmers in the Domasi area near Zomba. Another study will also cover the Lower Shire cotton sector to assess the need to form associations for marketing seed-cotton.

5.0 NASCOMEX – Business Operations

5.1 Bulk Fertilizer Procurement

Program Results for 2000/2001. The cash phase of this program starts during the last quarter of the previous reporting period (July, August, and September of 2001) but it has been traditional to report it under the current production year - in this case 2001/2002 – because the bulk of the fertilizer sold takes place this quarter (Oct/Nov/Dec 2001).

MUSCCO, MRFC and NBM are three key players in the input credit sector. Cash procurement by clubs represents skyrocketed from only 6.5 % of the total business to 16% of the total business with K12.4 million and 658 mt in sales. The sales and credit breakdown is as follows:

MUSCCO:	17%	K 13.5 million (\$ 207,670)
NBM	25%	K 24.9 million (\$ 383,393)
MRFC	58%	K 26.4 million (\$ 407,194)
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Total Credit		K 64.9 million (\$ 998,258)
Total Cash		K 12.4 million (\$ 186,007)
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Total Program		K 77.35million (\$1,184,265)

- ❑ 3,500 metric tonnes of fertilizer was purchased at a value of K77.35 million (or \$1,184,265).
- ❑ Savings off local retail prices 8.1% for a total savings of K6,278,663 or \$96,594
- ❑ Transport was free
- ❑ 22 Associations earned commissions of K1.2 million or \$18,734.

5.2 Association Farm Supply Shops and Central Supply

Association Farm Supply Shops. Association supply shops are an optional commercial activity, depending on member demand and Association capability. Not all associations have opened shops - not all have the financial or managerial capacity - but those that have opened shops (12 so far) learn firsthand of the business associated with rural retail operations including: financial management and controls, stock inventory, personnel management, procurement and accounting. An additional twelve Associations run small retail operations from their offices that may have the future potential to expand into larger shop operations.



Members and non-members benefit from conveniently located NASFAM Association shops

Association	Shop Location	Start-up Date
Nsipe	Nsipe, along the M1	September 1998
Kandeu	Kandeu EPA	November 1998
Nkhamanga	Bolero Boma	February 1999
Henga Valley	Mhuju Boma	February 1999
Dzaone	Dzaone EPA	December 1998
Chipala	Gogode	January 2001
Joka/Lwasozi	Embengweni	April 2001
Elangeni	Mabulavo	July 2001
Champira	Jenda	July 2001
Hewe	Hewe EPA	Sept 2001
Kasitu	Mbwengu EPA	Sept. 2001
Nyanja	Nkoma Turn-off	Nov 2001

Under the new NASCOMEX structure, NASFAM will be offering new commercial services to Associations with retail operations. These services will include:

- ☐ Consignment stock contracts with seed and supply companies
- ☐ Direct order systems for the payment and delivery of goods through HO (hardware, consumables, chemicals)
- ☐ Central supply service through HO for bulk commodities (treadle pumps, fertilizer)
- ☐ Stock transport through the NASCOMEX fleet

5.3 Fleet Management

In June of 2001, NASFAM procured two Nissan trucks for commercial use only. The 5 and 7-tonner trucks are the first NASFAM trucks operated without donor support and the management challenge belongs to the NASCOMEX Business Operations Department. As of September 30, 2001, after only four months of operation, the two-

truck fleet generated K785,251 in gross revenues (\$12,000) and earned a net surplus of K 323,140 (\$5,000). As of December 31, 2001 (the end of this quarter) the fleet generated a gross earning of K436,406 (\$6,818) with a net revenue of K72,406 (\$1,131).

5.4 Bulk Transport Contract Management

No bulk transport operations took place during this off-season quarter. During the just completed season, the Business Operations Department (Mops) managed transport contracts for produce haulage in excess of K59,600,000 (\$800,000). Commissions earned by Associations were K7,851,916 – about \$120,000. A full-time employee is paid by the department to manage the extensive tracking that is required for this service. In addition to transport contracts, NASFAM also provides group blanket insurance coverage for goods in transit, storage, and fire/theft. Cost of the policy is shared by all the participating Associations.

6.0 NASFAM Grant & Loan Support

In addition to NSP support, NASFAM is receiving grants from several sources: EU-PROSCARP, DANIDA, and NORAD. Each grant or loan is accounted for according to each donor's conditionalities, and where special requirements exist, is monitored for compliance.

6.1 EU-PROSCARP Grant

This five-component, K5.3 million grant started in October 1999 and continues to June 2002. The program was extended in July 2000 for twelve more months with an additional K 2,630,000 (ending in June 2001). These funds will be used for village marketing units, cotton sprayers and LMA support. An addendum was signed in October 2000 for K 1,412,000 to continue construction of cotton marketing depots in Balaka.

<u>Activity</u>	<u>Additional</u>
• Crop Finance Fund (original)	K1.000 million
• LESSA Input Loan (Seeds and treadle pumps)	K .622 million
• Village Storage Depots	K 2.685 million
July 2000 extension	K 1.000 million
October 2000 addendum	K 1.412 million
• Land-use Management Advisors (3)	K 1.000 million
July 2000 extension	K 1.000 million
• Sprayers (July extension)	K .630 million

6.2 DANIDA Grant

This grant has four programmatic themes. Budget amounts are shown below. Funding is in Danish Kroner - amounts are converted to US Dollars for the purpose of this report.

	<u>LOP Budget US\$</u>
1.Programme Expansion (including equipment)	375,000
2.Training and Material Development	300,000
3.Association Office Construction	185,000
4.Crop Finance Working Capital (Revolving Fund)	<u>165,000</u>
Total	US\$ 1,025,000

The grant represents funding under Phase I of DANIDA's wider programme of support to the Agricultural Sector, and ends on 30 June 2002. It is hoped that a second phase of support will follow, building on Phase I.

The Expansion Programme has funded a NASFAM presence in three areas - Mchinji, Mzimba and Karonga. Training funding has focused on adult literacy, gender and

external study tours, together with development and production of a variety of training and materials. Association Office Construction is operated as a matching grant, whereby Association members are expected to contribute labour and materials to the construction. DANIDA funding is used for supervision, transport and purchase of materials other than those provided by farmers. The Crop Finance funding has been critical to allowing NASFAM to expand its crop marketing operations. The 2001 marketing season, however, demonstrated that NASFAM needs further working capital in this area. Maximum demand in 2001 was in excess of US\$350,000. It is calculated that demand will exceed US\$500,000 in 2002.

6.3 NORAD Grant

NASFAM entered into an agreement with NORAD effective 1 October 2001 for support to four programmatic areas. Budget amounts are shown below. Funding is in Norwegian Kroner - amounts are converted to US Dollars for the purpose of this report.

	LOP Budget US\$
1.Human Resource Development	410,000
2.Material Support	450,000
3.Community Action	150,000
4.Commercial Programmes	250,000
5.Overhead Support	<u>230,000</u>
Total	US\$ 1,490,000

- ❑ Human Resource Development funds three sub-categories. Approximately 65% of the budget supports local training interventions, primarily for Associations. 19% of the budget is directed to NASFAM staff capacity building, allowing staff to pursue further education that is in line with their function at NASFAM, and the remaining 16% of the budget is available to fund consulting assistance.
- ❑ Material support consists of a variety of non-expendable equipment, including motorcycles for associations, three small trucks, used for haulage of produce and construction materials, and HF radios for remote offices that are not accessible by telephone.
- ❑ Community action funding supports infrastructure development at association/ community level, including such projects as warehouse construction, bridge repairs and so forth.
- ❑ Commercial programme support includes is targeted at farm supply shops and expansion into rice marketing in the Zomba area.

6.4 USAID: NSP Project Grant

NSP, managed by ACDI/VOCA, provides core funding and technical expertise under a

contract arrangement with the NASFAM Board of Trustees. The grant covers most of NASFAM's administrative costs including payroll, equipment, supplies, operational costs and maintenance. The current NSP grant and contractual agreement ends October 31st, 2002.

6.5 Ministry of Agricultural and Irrigation (MAI) Treadle Pump Loan

To encourage dry season agriculture, the MoAI has provided NASFAM with treadle pumps and accessories on loan (interest-free). Two consignments of 1,000 pumps each have been received, the first in FY2000 and the second in FY2001. Pumps are sold to farmers at MK2,000 from which NASFAM and the Associations receive a small mark-up (MK500 and MK200 respectively) to cover distribution and selling expenses. Around 800 pumps were sold in FY2000 and around 1,000 pumps in FY2001.

7.0 NASFAM Activities

- 7.1 The Board of Trustees met once this quarter on December 3rd and 4th, 2001 to prepare for the Annual General Meeting.
- 7.2 The NASFAM 5th Annual General Meeting took place on 5th and 6th of December 2001 and had an attendance of 90 Representatives from 30 Associations (3 each). Association managers also attended the AGM for the first time. The Annual Progress Report was presented along with the Annual Financial Report and the NASFAM audit company presented the annual audit report. The General Assembly passed all resolutions required to form and register NASDEC, NASCENT, and NASCOMEX.

A new Board was elected as follows:

<u>Trustee</u>	<u>Position</u>	<u>Association</u>
Mr. R. Bemeyani	Chairman	Kandeu
Mr. A.M. Nyasulu	Vice-Chairman	Henga Valley
Ms. A. Chavula	Secretary	Nkhamanga
Mr. Paul Mkanda	Treasurer	Masuku
Mr. L. Chinyengo		Nsipe
Ms. E. Banda		Chamama
Mr. S.K. Ngwira		Chipala
Ms. C. Chemenya		Zikometso

- 7.3 Private company sponsorship of special crop marketing awards took place at the closing function on December 6, 2000.
- | | |
|---|--|
| <input type="checkbox"/> Chemicals and Marketing Ltd (Malawi) | Best Cotton Clubs (one per chapter -4) |
| <input type="checkbox"/> Noordhaven Trading Co. (Holland) | Best Chilli Clubs (one per Zone -3) |
| <input type="checkbox"/> Rab Processors Ltd. | Best Groundnut Market Center |
| <input type="checkbox"/> Cheetah Malawi Ltd. | Best Paprika Club |
| <input type="checkbox"/> ATC Ltd. | Association Business Excellence Award |
- 7.4 NASFAM Management staff met at the Management Institute of Malawi (MIM) in December to brainstorm and plan future programs and to resolve outstanding issues. This was the first of several meetings that resulted in the development of the new Strategic Development Plan.
- 7.5 30 Associations (all but Karonga and Zikometso) held Annual General Meetings this quarter. One member of the NASFAM Board of Trustees and at least one member of the Head Office staff attended all of these meetings. Annual financial reports and budgets were approved and all held elections for new Committees.

8.0 Project Planning, Reporting and Monitoring



- 8.1 **Planning, Monitoring and Reporting.** The planning, monitoring and reporting program for NASFAM is extensive. An annual program-planning workshop is held once a year for NASFAM management to review ongoing programs, plan for new initiatives, and develop new skills. This workshop is followed by at least four Association management meetings held periodically where Association managers and regional coordinators link up with head office program managers to discuss program and administration issues.

The NASFAM head office meets weekly by company (NASCENT and NASCOMEX) to review field trips, discuss assignments for the week and coordinate on-going activities. Each Regional office and Association management team also meets on a weekly basis to review progress and plan for the week's activities.

The NASFAM Executive Committee meets about once a month and on a needs-be basis to form a consensus-based decision making process, to maintain effective communication, and to develop a personable and professional working relationship between NASFAM leadership and technical advisors.

Planning and reporting procedures at the Association level start with the development of the Annual Work Plan, now done in coordination with the Regional Coordinators. Association management also compiles Quarterly Action Plans that are reviewed and adjusted weekly. Association business reports are submitted monthly to NASFAM Head Office. NASFAM also prepares an Annual Work Plan, and progress reports on activities are prepared quarterly and annually.

Planning, Reporting and Monitoring

<i>Association Level</i>	Annual Work Plan and budget	Two weeks before Program Year
	Quarterly Action Plans	Oct-Dec/Jan-Mar/Apr-Jun/Jul-Sep
	Weekly Planning and Monitoring Meetings, w/Association Management	Held either Monday or Fridays
	Monthly Business Reports	Submitted first week of following month
	Monthly financial reports	Submitted first week of the month
	Committees meet monthly, Coordinator member of Committee	Monthly
	Association General Assembly meets Quarterly for activity planning	Four per year, every quarter
	Association Meets for AGM: Elections, Work Plans, Budget, Annual Report,	Annually – end of FY
<i>NASFAM Office</i>	Annual Work Plans	To start October 1
	Quarterly Reports	Submitted first week of Jan, Apr, July, Oct
	Annual Report	Oct - Sept; Submitted November
	Annual and monthly financial reports	FY start October 1
	Frequent Field Visits to Associations	Throughout the year
	Field Management Meetings	Four per year, every quarter
	Executive Committee Meetings	Weekly; needs-be basis
<i>Regional Team</i>	Regional Coordinator prepares Quarterly Report; assists Association in the preparation of their plans, budgets and reports	Every quarter,
	NASFAM Audit Team Audits Associations, trains bookkeepers, prepares annual report; team reports to committees	Every quarter, report is annual
<i>Board of Directors</i>	Board Meetings; GM reports	Four per year; every quarter
	Attend Association Meetings	As scheduled
	Review and Inspect new Associations	As scheduled
	Approve Auditor; receives report	End of FY
<i>NASFAM General Assembly</i>	General and Annual General Meetings. At AGM: Annual Work Plans and Budgets discussed; Annual Report and Annual Financial report reviewed, elections held	June and December